63. Distinguish between micro and macro economics?

The main differences between micro and macro economics are given below:-MICRO ECONOMICS:-

1.Evolution of micro economics took place earlier than macro economics.

2.It is branch of economics, which studies individual economic variables like demand,supply,price etc.

3.It has a very narrow scope i.e. an individual, a market etc.

4.Demand,supply,market forms etc.relate to micro economics. 5.It is helpful in analysis of an individual economics unit like firm.

6. Theory of demand, theory of production, price determination theory etc.develop from micro economics.

MACRO ECONOMICS:-

1.It evolved only after the publication of Keynes'book.Genral.theory of employment, interest and money.

2.It is a branch of economics which studies aggregate economic variables, like aggregate demand, aggregate supply, price level etc.

3.It has a very wide scope i.e. a country.

4. Aggregate demand aggregate supply,national income etc.relate to macro economics. 5.It is helpful for analysing the level of employment,income,economic growth etc. 6.Theory of national income, theory of employment, theory of money, theory of genral price level etc.develop from macro economics.

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64. What are the main goals of macro economics policy?

Three conditions of the mixed economy that are most important for macroeconomics, including full employment, stability, and economic growth, that are generally desired by society and pursued by governments through economic policies.

Full Employment

Full employment is achieved when all available resources (labor, capital,land, and entrepreneurship) are used to produce goods and services. This goal is commonly indicated by the employment of labor resources (measured by the unemployment rate). However, all resources in the economy--labor, capital, land, and entrepreneurship--are important to this goal. The economy benefits from full employment because resources produce the goods that satisfy the wants and needs that lessens thescarcity problem. If the resources are not employed, then they are not producing and satisfaction is not achieved.

Stability

Stability is achieved by avoiding or limiting fluctuations in production, employment, and prices. Stability seeks to avoid the recessionary declines and inflationary expansions of business cycles. This goal is indicated by month-to-month and year-to-year changes in various economic measures, such as the inflation rate, the unemployment rate, and the growth rate of production. If these remain unchanged, then stability is at hand. Maintaining stability is beneficial because it means uncertainty and disruptions in the economy are avoided. It means consumers and businesses can safely pursue long-term consumption and production plans. Policies makers are usually most concerned with price stability and the inflation rate.

Economic Growth

Economic growth is achieved by increasing the economy's ability to produce goods and services. This goal is best indicated by measuring the growth rate of production. If the economy produces more goods this year than last, then it is growing. Economic growth is also indicated by increases in the quantities of the resources--labor, capital, land, and entrepreneurship--used to produce goods. With economic growth, society gets more goods that can be used to satisfy more wants and needs--people are better off; living standards rise; and scarcity is less of a problem.

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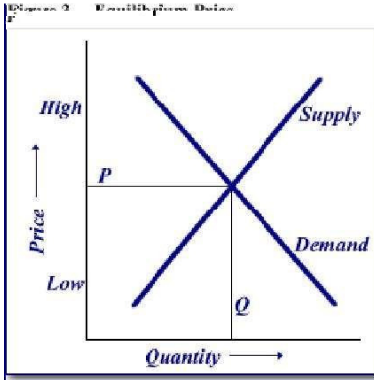
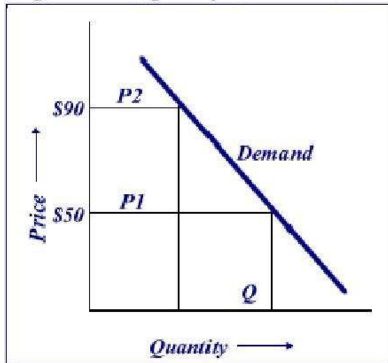
65. Are price always determined by the laws of demand and supplu?explain

Price is derived by the interaction of supply and demand. The resultant market price is dependant upon both of these fundamental components of a market. An exchange of goods or services will occur whenever buyers and sellers can agree on a price. When an exchange occurs, the agreed upon price is called the "equilibrium price", or a "market clearing price" . This can be graphically illustrated as follows: (Figure 3)



In figure 3, both buyers and sellers are willing to exchange the quantity "Q" at the price "P". At this point supply and demand are in balance or "equilibrium". At any price below P, the quantity demanded is greater than the quantity supplied. In this situation consumers would be anxious to acquire product the producer is unwilling to supply resulting in a product shortage. In order to ration the shortage consumers would have to pay a higher price in order to get the product they want; while producers would demand a higher price in order to bring more product on to the market. The end result is a rise in prices to the point P, where supply and demand are once again in balanceA market price is not a fair price to all participants in the marketplace. It does not guarantee total satisfaction on the part of both buyer and seller or all buyers and all sellers.

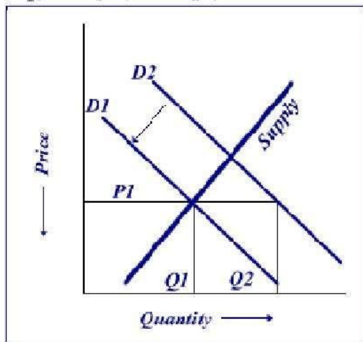
Figure 4 Change in Equilibrium Price



When either demand or supply changes, the equilibrium price will change. For example, good weather normally increases the supply of grains and oilseeds, with more product being made available over a range of prices. With no increase in the quantity of product demanded, there will be movement along the demand curve to a new equilibrium price in order to clear the excess supplies off the market. Consumers will buy more but only at a lower price. This can be illustrated graphically as follows: (see Figure 4.)

Likewise a shift in demand due to changing consumer preferences will also influence the market price. In recent years there has been a shift in demand on the part of overseas Canadian wheat buyers toward the Canada Prairie Spring varieties, away from the Hard Red Spring varieties. A decline in the preference for Hard Red Spring wheat shifts the demand curve inward, to the left, as illustrated in figure 5.

Figure 5 Shift In Demand



With no reduction in supply, the effect on price results from a movement along the supply curve to a lower equilibrium price where supply and demand is once again in balance. In order for prices to increase producers will have to reduce the quantity of hard red spring wheat brought to the market place or find new sources of demand to replace the consumers who withdrew from the marketplace due to changing preferences or a shift in demand.

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